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GENERAL

1. Portuguese protest US actions at Santa Maria--General Kissner has received a "stern letter" from Colonel Correia, the Portuguese representative at Santa Maria, protesting the "failure" of the US to carry out the terms of the 30 May agreement with respect to that base. The note asserts that under the agreement Colonel Correia has "superintendence" over all services at Santa Maria. Kissner has replied that he is making plans to comply with the agreement, and has advised Correia that he is proceeding to Paris for a conference with Secretary Byrnes.

In two subsequent notes Correia has (a) demanded that a US representative be delegated to draw up with him a list of equipment necessary for Portuguese operation of Santa Maria, and (b) reported an "insulting" incident involving a US enlisted man. Kissner has now appointed a delegate as requested, and will apologize for the incident. Kissner believes that the Portuguese consider the stipulated 120-day extension as intended for the "surrender of installations" and evacuation, rather than for continuance of US operations at Santa Maria.

EUROPE-AFRICA

2. AUSTRIA: Soviet seizures of German "assets"--According to Embassy London, the UK Foreign Office believes that the recent Soviet seizures of German "assets" in Eastern Austria (see Daily Summary of 8 July, item 9) were designed to aid Moscow's efforts to compel the Austrians to enter into general economic negotiations, including a trade agreement to draw Austria into the Soviet economic sphere. The Foreign Office adds that the Soviet move appears timed to precede efforts by the CFM to obtain a definition of German assets in Austria.
3. GERMANY: Saxony referendum--The US Political Advisor's Office in Berlin has reported that, according to German officials in Saxony (Soviet zone), the average voter in the 30 June referendum on nationalization of industry had no idea of the number or character of the plants involved. The Office adds that the Soviets had no illusions regarding the character of the referendum; in discussions with US journalists, an NKVD officer referred to it as a "sheep show."

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4. USSR: Smith's views on diplomats' military shortsightedness--Ambassador Smith believes that many European diplomats, including those of the USSR, still think of military power in terms of World War II. Smith believes that much of the "intransigence now plaguing us" results from lack of comprehension of the tactical and strategic implications of new weapons, and from inclination to attach excessive importance to military bases which may soon become more of a liability than an asset.
"Failure" in Soviet nationality policy--Smith points out that Soviet press accounts of the recent reduction in status of the Chechen-Ingush and Crimean Autonomous Republics constitute the Government's "first open, if only implied," admission in recent years of "a notable failure" of its nationality policy. The accounts assert that during the war many inhabitants of the two republics joined German-organized volunteer units, and that the "main body" of the populations "did not offer resistance to these traitors."
5. POLAND: Catholic Primate's views on Jewish pogrom--Cardinal Hlond, Catholic Primate of Poland, has told US Ambassador Lane, in connection with the recent Jewish pogrom at Kielce, that anti-Semitism throughout Poland reflects in part the general belief that Jews are engaged in security police activities and are working for Communism.
6. DENMARK: Faroes Loran station--The Danish Foreign Office has informed US Minister Marvel that the Danes desire to take over and operate the Faroes Loran station and will wish to replace British military personnel there with US civilian operators, if neither Danish nor British civilian personnel are available. (The Danish Foreign Minister previously had opposed employment of US personnel at the station; see Daily Summary of 27 June, item 11.)
7. SPAIN: "Political evolution" delayed--The Spanish Foreign Minister has informed Embassy Madrid that "political evolution" in Spain has been delayed at least five months because of the French closing of the frontier and Security Council consideration of the "Spanish question." The Foreign Minister expects no new developments before October, when a referendum on the regime and its successor "might" be held.

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8. GREECE: Reported Albanian attack on Greek frontier post--The Greek Government has informed Ambassador MacVeagh that on 7 July Albanian troops and possibly some Greek leftist refugees raided and wrecked a Greek border post. MacVeagh believes that Greek retaliatory action is unlikely since the British Charge has strongly advised against it.
9. IRAQ: Anti-US feeling rises--Legation Baghdad reports that popular indignation against the US is rising to "new heights" as a result of President Truman's latest Palestine statement and that determination to resist implementation of the Joint Committee's report is "crystallizing rapidly." Local Communists are attempting to exploit the public resentment against the US and Great Britain, but the Government has taken measures to maintain order.

FAR EAST

10. N.E.I.: British views on negotiations--Ambassador Harriman reports that the British continue pessimistic regarding the Dutch-Indonesian impasse. They believe that all possibilities of direct negotiation should be exhausted but "might be willing" to mediate if the negotiations prove unproductive and if both parties so desire. The Dutch are said to be considering the possibility of sending to Java a Cabinet Mission similar to the British Cabinet Mission to India. The British believe that such a mission might inspire some confidence among the Indonesians who consider Van Mook a holdover of Dutch imperialism.
11. PHILIPPINES: Surplus property agreement with China not acceptable--Ambassador McNutt reports that the Philippine Government's refusal to admit Chinese labor to the Philippines makes it impossible for the US to fulfill the 15 June agreement between the FLC and China which commits the US to arrange for employment of "Chinese troops or other labor" in "foreign countries" for packing and loading US surplus property for delivery to China.
12. JAPAN: Repatriation from Pacific areas--General MacArthur reports that shipping will be available to evacuate Japanese POW's and disarmed military personnel from US-controlled areas in the Pacific about

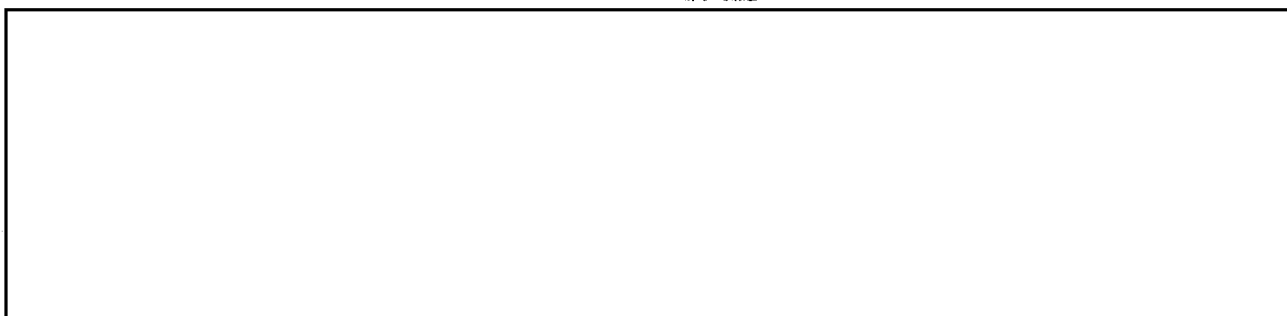
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October 1946. He plans to complete repatriation from these areas before the end of 1946.

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THE AMERICAS



14. ECUADOR: Ex-Im loan linked to Galapagos negotiations--The Ecuadoran Foreign Minister has informed US Ambassador Scotten that if his Government is unable to obtain the recently disapproved Export-Import Bank loan for the Guayaquil water works (see Daily Summary of 2 July 1946, item 5) he does not see how it can collaborate in the negotiations for the Galapagos air base. Ambassador Scotten fears that unless the Bank shows a more promising attitude the Galapagos settlement may be blocked.

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